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PRESENTED TO

"THE ONTARIO COMMISSION ON TAXATION"

by

THE ONTARIO PROVINCIAL COUNCIL OF WOMEN

Mrs. W. P. Augustine
(President)

Mrs. F. E. Underhill
(Chairman of Laws)

November, 1963

1. The Ontario Provincial Council of Women, which has the honour to present the following submission, comprises of seventeen Local Council of Women and twelve Provincially organized Societies in Federation, with a membership in excess of 50,000 persons in Ontario.

2. The National Council of Women was founded by Lady Aberdeen, wife of the Governor-General of Canada in 1893, incorporated by Statute of the Parliament of Canada in 1914 (R.S.O. Chapter 147) and amended under Act 10, George VI, Chapter 85, in June of 1946. The object of the Council as stated in the Act of Incorporation, is "to unite a Dominion Federation for the betterment throughout Canada of conditions pertaining to the family and the state, all societies and associations of women interested in philanthropy, religion, education, literature, art or social reform". To further the objects of Council, Local and Provincial Councils of Women were formed. The Ontario Provincial Council of Women was formed about the year 1938.

3. The Ontario Provincial Council of Women is concerned with matters within the jurisdiction of the Provincial Government. This is done by Committees which study and disseminate information to the Local Councils. Resolutions are formulated, voted upon and adopted at the annual meeting. It is on such resolutions that this submission is based.

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TAXATION ON ANNUITIES, PENSIONS, ETC.

4. In accordance with the Succession Duty Act, R.S.O. 1960, Chapter 386, and as amended 1960-1962, pensions annuities, etc., are included in the estate for taxation purposes at their capitalized value. The Ontario Council of Women submits that such capitalization is a breach of the general principles of evaluation for taxation purposes in that it is based on an average and does not allow for vicissitudes. In addition, it is not comparable to other assets of the estate as it cannot be transferred and the recipient cannot deal with the capital in any way. The payment of the tax works a hardship on the widow and it must be paid in not more than ten equal annual consecutive instalments. In the case of a young widow, whose pension would have a high capitalized value, the payment of such instalments is a severe hardship during the years when she is most likely to need extra support for herself and for her children.

5. The Ontario Council of Women submits that the ten year limit is unjustified and that Succession Duty does not bear proper relationship to the benefit received. The value of the pension should be taken as a percentage of the gross value of the estate and that same percentage of Ontario Succession Duty Tax should relate to the pension. The amount of tax attributable to the pension should be payable over the same number of years as that used in computing the capitalized value of the pension.

* If the pension ceases before the expiration of the calculated time, the Estate Tax should be deemed to have been paid in full.

RELATION OF ANNUITIES, PENSIONS, ETC.

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* Example:

Widow aged 50

Present value factor 14,75861 or approximately 15

Value of pension is half of the value of the estate

Total Estate tax payable $3,000.

Therefore, tax attributable to pension $1,500.
which should be paid in annual instalments of
$100. over a 15-year period.

DOUBLE TAXATION - INCOME TAX AND SUCCESSION DUTY

6. Not only does the widow have to pay Succession Duty, but also she must pay Income Tax on her annuity or pension, with only an insignificant deduction being allowed under Part I, Division B, Section 11 (v) of the Income Tax Act. The deduction itself is based on the capitalized value of the annuity of pension to which the Ontario Provincial Council of Women has taken exception supra. The Ontario Council of Women submits that the annual Succession Duty Tax instalment payment proposed supra as a solution to the payment of Succession Duty on pensions, etc., should be an allowable deduction in computing taxable income. Thus, the double taxation at present existing would be simply and effectively eliminated.

SUCCESSION DUTY ACT EXEMPTIONS

7. Under Section 7, subsection (8) (b) of the Ontario Succession Duty Act, R.S.O. 1960, Chapter 386, $60,000. is the amount deductible in computing the aggregate taxable value of an estate of a deceased male person survived by a spouse. The Ontario Council of Women submits that one-half of the estate should be

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Widow aged 55

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regarded as belonging to the widow as of right, in recognition of her contribution to the marriage partnership, and therefore should not be included in computing the aggregate taxable value of the estate.

8. At present rates of interest, a safe investment programme for the average widow could not be expected to yield more than 4½% per annum or $2,700. on $60,000. If it is not deemed feasible for taxation purposes to regard one-half of the estate of the deceased spouse as belonging to the widow - the Ontario Council of Women respectfully submits that the exemption should be raised to at least $100,000. which would yield about $4,500. a small income in the light of the cost of living index at the present time.

9. Section 7, subsection 8 (B) (11) and (5) of the Ontario Succession Duty Act, permits a deduction of $10,000. or $15,000. as set out, in the case of a suriving child under twenty-one years of age or twenty-one years and over and if wholly dependent by reason of being infirm. Since 4½% interest on $10,000. ($450.) or on $15,000. ($675.) is inadequate to feed, clothe, educate, house and otherwise provide for a school-aged child, The Ontario Council of Women submits that the deduction should be based on the basic sum of $10,000. or $15,000. as the case may be, plus an additional $1,000. for each year of age under twenty-one years. This would better ensure adequate care and education of the child and would render it possible to encroach on capital with impunity to meet his needs. Further the Provincial Council of Women submits that consideration should be given to extending the exemption of $10,000. or $15,000. where a surviving child is twenty-one years or over and still in full time attendance at an institution or higher learning (post-secondary school level).

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INCOME TAX

10. Since the Income Tax Act of Canada is the basis of computing taxable income in Ontario, the Ontario Council of Women wish to comment as follows:

Income Tax of Employed Spouse

(a) Part I, Division A, Section 2 (1), of the Income Tax Act requires every person resident in Canada at any time of the year to pay an income tax as required by the terms of the said Act. In Part I, Division B, section 21 (2) and (3), an exception is made in the case of the married person employed by his or her spouse or by a partnership in which his or her spouse is a partner, by the provision that the remuneration received by such married person shall not be included in his or her income but shall be deemed to have been part of the spouse's income. The Ontario Council of Women submits that this exception is contrary to the general principles of taxation on income which requires that every person shall pay an income tax and that it is discriminatory in nature, resulting in many cases in the payment of a greater total tax. * Part I, Division C, Section 26, (2) (a) and (b), should apply in this case as it does to other married persons with income, provided always that the amount of monies paid by the employer spouse to the employee spouse does not exceed that customarily paid for the same type of work.

(b) The present legislation militates against the initiative of husband and wife in setting up small businesses and professional partnerships (see Division B, Section 21 (4)) when the expense of incorporation is not warranted. The contribution made by married women to the economy of our country is undisputed. ** To discriminate against those who wish to work with their husbands is unjustified and inequitable.

* As an example:

Under S. 21 (2) and (3) supra

Income of employed spouse	$4,000.
Income of employer spouse	10,000.
Total income	14,000.
Exemption	2,000.
Taxable income	12,000.

Tax 2870

Under S. 26 (2) supra

Income of employed spouse	$4,000.
Exemption	1,000.
Taxable income	3,000.
Tax	$ 420.
Income of employer spouse	$10,000.
Exemption	1,000.
Taxable income	9,000.
Tax	$ 1,870.

Total $420. plus $1,870. = $2,290.

i.e. $580. less than under S. 21.

** Married women (with husbands) constitute 13.14% of the total labour force (February 1963).

Income Tax Exemption in respect to fees paid to special schools

(c) The basic right of every child to an education is accepted in Canada and was affirmed categorically at the First Canadian Conference on Education held in Ottawa in 1958. In the case of the retarded child, due to the lack of public facilities, this is very often not possible without the expenditure of monies by the parents for special training in special schools. At present, the parents in such cases are not allowed to deduct the amount of the fees from their taxable income. This imposes a hardship on the parents and may preclude the possibility of providing the requisite special training. Not only does this militate against the child, but also it may result in his ultimately becoming a charge on society or a much greater charge than he would have become otherwise.

The principle of special tax exemptions and deductions has been accepted in the Income Tax Act : service pensions, workmen's compensation, contributions to the teachers' fund, tuition fees at post-secondary school level, etc. *

The Provincial Council of Women submits that fees paid to recognized private and independent schools by parents of children so retarded as to be inadmissible to public schools should be deductible from taxable income.

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* Income Tax Act, Part I, Division B, Section 10, (d) and (g), Section 11, (1) (qa) and (qb), etc.

Deduction for servant under Income Tax Act

(d) Under Part I, Division C, Section 26 (4) of the Income Tax Act, an additional deduction for a dependent child is allowed only when a full-time servant is employed.

Since 1948, when the section was enacted, it has become increasingly difficult to obtain full-time servants. It is, however, often possible to obtain such household assistance on a part-time basis which, combined with the care and supervision of the taxpayer, outside of working hours, would ensure adequate and continuous care of the dependent child.

Therefore, the Provincial Council of Women submits that the intent of the Act would be unaltered if the section were amended to allow deductions in respect of servants employed on such a regular, part-time basis as to ensure constant supervision and care of the dependent.

EDUCATION

11. Since the financial responsibility for the education of Ontario children is shared by the local, provincial, and in some cases Federal, governments, much of the responsibility for raising money for schools falls upon local government. This is accomplished by an assessment upon all real estate in every part of Ontario. The burden has become unbearable on the property owner, accordingly, the Ontario Provincial Council of Women submits that additional means of carrying the financial responsibility and burden of education should be found, as this matter is an emergency.

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IN SUMMARY

12. The Ontario Provincial Council of Women respectfully submits:

1. That the Ontario Succession Duty Act should be amended:-

   i) To permit longer instalment payments of Succession Duty related to pensions, annuities etc.

   ii) To recognize the contribution of a wife to the marriage partnership so that one-half of the husband's estate would automatically belong to the wife and not be subjected to Succession Duty when it passes to her on his death.

   iii) To provide increased deductions for widows and children.

2. That the Income Tax Act should be amended:-

   i) To eliminate double taxation (i.e. Estate plus Income Tax) on Widows' pensions, annuities, etc.)

   ii) To eliminate discrimination with respect to payment of Income Tax by one spouse employed by the other spouse.

   iii) To allow the deduction in computing taxable income of the fees paid to special schools by parents of retarded children and other handicapped children.

   iv) To allow deductions for part-time servants where deductions for full-time servants are permitted under present Act.

3. That other and further means of financing education should be found to lessen the burden on the property owner and other means be found to support our education system.

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3. That other and further means of financing education should be found to lessen the burden on the property owner and other means be found to augment our education system.